

VZCZCXRO7626
RR RUEHBZ RUEHGI RUEHMA
DE RUEHLC #0023/01 0140538
ZNR UUUUU ZZH
R 140538Z JAN 10
FM AMEMBASSY LIBREVILLE
TO RUEHC/SECSTATE WASHDC 1627
INFO RUEHBZ/AMEMBASSY BRAZZAVILLE 0917
RUEHYD/AMEMBASSY YAOUNDE 1032
RUEHMA/AMEMBASSY MALABO
RUEHGI/AMEMBASSY BANGUI 0046

UNCLAS SECTION 01 OF 02 LIBREVILLE 000023

SENSITIVE

SIPDIS

DEPARTMENT FOR AF/EPS AND EEB/OMA

E.O. 12958: N/A

TAGS: [ECON](#) [GB](#)

SUBJECT: GABON: ECONOMIC TRANSPARENCY UPDATE

REF: STATE 1923

¶1. (SBU) Summary: Gabon's new President, Ali Bongo Ondimba, announced bold economic reforms upon taking office in October 2009. His ambitious agenda is aimed at jump-starting the country's deteriorating economy and changing the way business is done in Gabon to attract investors. Anti-corruption is a centerpiece of his program to help Gabon emerge from decades of political and economic malaise. This change in political will is significant and has created opposition from entrenched interests. Bongo continues to move forward with efforts for Gabon's inclusion in the Extractive Industries Transparency Initiative (EITI). Bongo's reforms are a sharp departure from the first half of 2009 and we expect that there will be more to come. End Summary.

- - - - -
WHERE THERE'S A WILL, THERE'S A WAY
- - - - -

¶2. (U) President Ali Bongo Ondimba's emphasis on transparency has taken many by surprise. His activism ends a long period of malaise that set in following the death of the former First Lady in March, followed by President Omar Bongo's death in June. The government respected the Constitution, put an interim government in power, and held a presidential election on August 30. The Constitutional Court heard challenges to the results, which were not confirmed until mid-October. In his inaugural speech on October 16, President Ali Bongo Ondimba characterized his economic plan for Gabon as that of an "emerging" country in need of aggressive "green" development, industrialization, and services. Bongo is determined to upgrade to the country's industries, consolidate public finances, and establish a climate of justice, merit, and excellence. To begin the process, Bongo started a complete reorganization and restructuring of Gabon's public administration and private sector. The weekly Council of Ministers meeting notes, published in the newspaper, became "must read" articles as Bongo's agenda was laid out, new officials were put in place, requirements for the declaration of assets by public officials were put in place, and corruption probes and arrests of corrupt officials were announced.

- - - - -
AMBITIOUS ANTI-CORRUPTION AGENDA
- - - - -

¶3. (U) One of Bongo's top priorities is to reverse the fact that Gabon has not historically been attractive to American investors. Corruption, complicated and disadvantageous fiscal regulation and administration, inefficiency, and punitive tax laws have made the country a hard sell to would-be suitors. President Bongo announced and is implementing several immediate reforms, including:

--Reducing the number of ministers and advisers of the cabinet, and requiring a complete evaluation of their work every three months.

--Reducing salaries of all state-owned company directors.

--Requiring all administration workers to declare their assets. Government officials will report their wealth to the National Commission to Fight Illicit Enrichment.

--Mandating 40 percent of each Gabonese ministry budget to be "invested."

--Redefining the 2009 budget and drafting the 2010 budget.

--Launching a complete audit of the government's human resources on November 26. The main objective of the census is to enhance government efficiency and eliminate corruption within the bureaucracy. The last government review was done in 2000. In 2006, the number of Gabonese civil servants was 58,813 with a total wage bill of \$850 million. Bongo also has undertaken the census to redeploy civil servants to underserved ministries.

--Public Review of the Budget. During a government-wide retreat in early November, Bongo re-opened the 2010 budget for debate and discussion. The budget has been scrubbed and priorities changed with a focus on encouraging investment and the development of value-added industries. Legislative debate on the budget is open to the public and receives wide press coverage. The budget is publicly available on the internet.

--Actions Against Corrupt Officials. Bongo announced the recall of the Gabonese Governor of the Central Bank of Central African States (BEAC) and arrests of Gabonese officials in his first Council of Ministers meeting. Bongo recalled Governor Phillip Azembe in the wake of revelations about an \$82 million financial scandal. Two

LIBREVILLE 00000023 002 OF 002

other Gabonese officials implicated in the scandal and closely tied to former President Omar Bongo, were arrested in Libreville on October 20. Other Central African heads of state postponed Azembe's replacement until the next BEAC meeting in January. Bongo pledged full cooperation with French investigators. Bongo also forced his Chief of Staff Jean Pierre Oyimba, and former BEAC officials, to resign in the wake of corruption allegations. Bongo's swift action against the corrupt officials sent a clear signal that he intends to implement changes at home and maintain Gabon's stature in the region.

14. (U) In addition, President Bongo recognizes the importance of the Extractive Industries Transparency Initiative (EITI) report. In October, the Government put out an international open bid for consulting firms to assist it in finalizing Gabon's 2009 report. The Norway International Cabinet was selected for its expertise on the issue. A consultant arrived in December to complete the process and work with the Government on its final report for publication in early 2010. A critical reason why Gabon chose an international consultant to help to finalize the EITI report is to prove to the international community its willingness to meet all the criteria through a public and transparent process. Gabonese authorities also provided an update about the report's publication date via the internet on its page dedicated to the budget.

CHANGING BUDGET PRIORITIES

15. (U) President Bongo sent the revamped 2010 budget to the Gabonese National Assembly on December 14, 2009. It included a 26% increase from the 2009 budget. The budget total for 2010 is \$4.6 billion. The public budget debate began in the National Assembly on December 30, 2009. The budget is available on the internet. Government revenues are: \$2 billion coming from oil revenues, \$1.7 billion from non-oil revenues and \$8.7 million from international grants/loans.

16. (U) The majority of the 2010 budget will be spent on paying salaries, servicing debts and paying for planned investments to boost and diversify the economy. The cost to fund the 50,000 Gabonese civil servants will rise to \$836 million. Reducing wage costs in the bloated administration is the primary reason behind the

audit. Debts will cost the government \$967 million in 2010, with \$267 million set aside for servicing debts and \$696 million spent on capital repayments.

17. (U) President Bongo's investment plan includes improving road, housing, and communications infrastructure. As a result, capital spending in 2010 will be \$1.95 billion, with \$435 million ear-marked for current projects and the remaining \$1.52 billion due to be invested in new projects.

18. (U) Bongo's reforms continue to be announced. The World Bank, International Monetary Fund, and other economists say it is too early to pass judgment on their effectiveness.

- - - - -
COMMENT
- - - - -

19. (SBU) It is critical that Gabon be considered for a transparency waiver for 2010 to demonstrate our support for the unprecedented political and economic changes the new President set in motion after the death of Africa's longest serving head of state. President Ali Bongo Ondimba's reforms represent a significant departure from the way business had been conducted for decades. Gabon plays an important role as a regional mediator and has peacekeeping troops in Central African Republic. Gabon is a key player in maritime security efforts in the Gulf of Guinea and the Economic Community of Central African States (CEEAC), which is headquartered in Libreville. In September, a Presidential Determination found it was in our national interest to support CEEAC's regional efforts. We will be looking at Gabon to play a moderating role on the U.N. Security Council, which it joins this month for a two-year term.
REDDICK